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CREDIT BIG FACTOR IN DUTCH INDIES

System Is Used in Getting and Holding Trade With Natives.

CONDITIONS IMPROVING

Several Good Financial Institutions Prepared to Give All Accommodations.

By JOHN A. FOWLER.

United States Trade Commissioner. Credit is a large factor in the commercial transactions within the Dutch East Indies and often takes precedence over price, especially in the smaller transactions between the shopkeepers and the natives, and is used as a powerful lever in getting and holding trade. The Chinese, Arabs and Malays, who do practically all of the small business of the archipelago, are the collectors of the native products and the distributors of Western manufacturers, and their efforts to get credit from the importers and jobbers enable them to speculate in these native products. They are successful to an extent that would be dangerous unless covered by price margins sufficiently large to cover the added risk.

One example which is illustrative of practically all purchasing of native products is the trade in hides and skins. In Java, where a great part of the stock is raised, skins are often sold as much as the stock is born, and sometimes before. These purchases are not made by the exporters directly, but by the small dealers and larger Asiatic speculators, generally Chinese and Arabs, who have shops where they sell all sorts of goods for native use. These traders buy on as long terms of credit as possible from the importers, who in turn have financial affiliations with the export houses, the final purchasers of the hides.

Before the war European manufacturers and importers encouraged the Dutch East Indies importers in taking long credits, and much of the commercial paper was discounted by the local banks very good prices. Bartering was and is resorted to in many of these transactions, and the system followed by the banks of doing business with the smaller houses, which have no access to the facilities offered by the big financial institutions, is not to level the risk by requiring deposits or hypothecations, but to make the risk a possible one and then change a rate according to the circumstances.

One bank claims that it never buys paper without recourse to the seller unless certain endorsements, supported to cover very recent bills, are made, and even then to 3 1/2 to 7 per cent. is charged for the accommodation, and that it charges an additional 1 per cent. above the ordinary bank interest on commercial paper bearing the name of the seller and the buyer. Little business could be done with the larger houses on such terms as this, and the penalty taken that the rates are the penalty some houses have to pay for doing an unattractively small volume of business or as a gauge of the additional risk involved.

With the war came an entire change in the credit system in this colony, and when the buyers went to America for the supplies they were met with a demand for confirmed bankers' credits, irrevocable and unlimited, subject to draft against shipping documents at port of embarkation or at some inland point. The larger houses, whose business was attractive to the banks, were not asked to place deposits against those credits, but the smaller houses were required to make deposits of stock or other securities in price, sometimes amounting to 25 per cent. and even more. Before the signing of the armistice large sums of money much needed for other purposes were tied up in this way by the smaller houses.

There are hundreds of thousands of tons of cargo here awaiting shipment to all parts of the world. It takes up to three weeks and sometimes more for an ordinary firm order to be made and accepted by cable. There are still competitors of stock either within the colony or pressing for admittance from Singapore and the China coast cities, but in spite of all this there are definite signs of an approach to normal conditions. While these will not be the normal conditions of pre-war days, they will contain elements of normal risk and normal profit, and the conditions will be welcomed by the Dutch merchants. An outstanding feature of the present situation is the healthy financial status of the business houses, and credits were never in better shape than they are today.

There are several heavily financed

How One East Indian Applied for a Job

Authentic copy of a letter written by applicant for position, Calcutta, India. MOST HONORED SIR: Understanding that there are several hands wanted in your Honor's department, I beg to offer you my hand, and as to my adjustment I appeared for the metric examination at Calcutta, but failed, the reasons for which I shall describe. To begin with, my writing was illegible, this was due to the climatic reasons, for having come from a warm into a cold climate, found my fingers stiff and very disheveled to my wishes. Further, I had received a great shock to my mental system in the death of my only fond mother.

Besides, most honored sir, I beg to state that I am in very uncomfortable circumstances, being the soul means of my food brother's seven issues, consisting of three adults and four women, the latter being the bane of my existence owing to my having to support two of my own wives, as well as their issues, of which, by God's misfortune, the feminine gender predominates. If by wonderful good fortune these few humble lines meet with your benign kindness and favor, I shall pray for your long life and prosperity of yourself as well as your Honor's posthumous olive branches.

banking institutions in the Dutch East Indies in a position to give every local banking accommodation necessary for the transaction of the business of the colony. These banks have grown out of the old agricultural organizations and are to-day the apex of large combinations of sugar, tobacco and other agricultural products. Only two of them, however, are important in general banking; besides these there are two new but amply financed banks, which handle the smaller business these big institutions do not care to do. These latter banks are much closer to the smaller business of the colony, and by careful attention to credits have come much to facilitate the movement of stocks by the smaller concerns. There are two British banks (the Chartered Bank of India, Australia and China and the Hongkong and Shanghai Banking Corporation) and within the last two years the International Banking Corporation has opened branches in Soerabaya and Batavia.

All these banks have representation in the United States either through branches there or through the big banking institutions of the larger commercial centers, and it is possible to get business reports on any mercantile institution in the Dutch East Indies through any of these sources that will be exact and authoritative.

The large Dutch houses appreciate the liberal cash discounts available to them in America and almost invariably take advantage of them, but there are smaller houses well worthy of the customary credit not in a position to take advantage of these discounts, although they constitute an important part of the distributing system of this colony. They must receive their shipments on terms that will allow them to place their goods in warehouses, where they can borrow on them from the local banks when the bills fall due.

This means generally thirty days' acceptance, and to permit a customer to take delivery of a shipment before he pays for it requires a knowledge not only of his financial standing but of his habits of doing business. At the present time it is very difficult to get information of this nature, as the Dutch banks hesitate to go into details of this kind, and the American bank is so new to the field that much of this knowledge is not yet available to it.

American credit agencies have here a field that is new to them but very important to American business interests, and one that I feel sure they will fill. There is a volume of business to be done that would warrant liberal payment for reliable information of this kind, and American business houses will not be slow to add their share of this trade unless they are on an even footing in this respect with British, French, German and other firms who will contest for every dollar's worth of trade in the Dutch East Indies.

Seek Wood for Butter Boxes.

New Zealand in the past has imported annually over 4,000,000 feet of white pine for butter boxes. Owing to the depletion of its forests dairymen have become somewhat concerned over the possibility of a shortage of timber, and attempts are being made to discover timber suitable for the butter trade. It is claimed that if mountain ash is properly seasoned and treated it will prove as satisfactory as white pine, and a number of interesting experiments have been made along this line.

Not Being Primarily a Business Venture, it had to dispose of its products to the other Government departments at less than market prices. To it fell also the task of leading the way in all sorts of difficult and untried lines, with profits as a secondary consideration. It also undertook to give assistance to private concerns by lending experts and training mechanics for them.

The advent of the war made clear as never before the prime importance of iron and steel, and at the same time gave extraordinary stimulus to private enterprise in the form of enormous profits. In 1917 a law was passed for the encouragement of the iron and steel industry. The new legislation provided that companies producing over 25,000 tons of steel annually should have special privileges for acquiring land for steel mills; the free importation of raw materials, tools and machinery; exemption from taxes and other attractive privileges.

Private enterprise, which had been flagging before the war, was quick to respond. Practically all of the firms extended their operations, and new companies were promoted by the score. In fact, the outstanding feature of the period was the rapid rise to prominence of a number of private enterprises, some of which may possibly outstrip the Government works in the near future. In March, 1919, the total capital invested in new concerns was estimated to be about 230,000,000 yen exclusive of investments by the Government in its enterprise.

HUGE BONUSES IN JAPAN.

Big Steamship Company Announces Gifts to Employees. The distribution of bonuses and profit-sharing is not confined to the United States. In Japan, large sums have been given to directors and employees of the Nippon Yusen Kaisha, one of the great steamship companies, according to the Osaka Asahi, which states that the higher salaried clerks and heads of departments receive a bonus equal to eighty times their monthly salaries. Thus, a clerk who is on the payroll for \$150 a month will draw down as his bonus the lump sum of \$12,000.

The company will distribute bonuses as follows: Among the fourteen directors a total of \$217,500; among the members of the staff a total of \$2,100,000. The heads of departments and chief clerks will receive eighty times their monthly salary; clerks and employees receiving from \$25 to \$100 a month will get forty-eight times their salaries.

JAPAN FAST RISING IN STEEL INDUSTRY

Change From Nation of Wood Workers Made in Incredibly Short Time.

WAR SHOWED THE NEED

Government Initiative and Native Ingenuity Overcome Many Natural Handicaps.

Not many decades ago the ruling classes of Japan addressed themselves to the formidable task of appropriating Western material civilization, which in a sense has been founded upon iron and steel. The task was approached almost empty handed, with practically nothing in the way of science, traditions, mechanical equipment or industrial experience and with but slender resources of any sort. Barriers of language and means made acquisition of the necessary learning very difficult. There was little experience in the use of metals for construction and manufactures, wood being the standard material of the nation. Even the most primitive tools were put together without nails or metals of any sort.

Well established competitors abroad could produce at costs far below Japanese enterprises. Traces of these old handicaps still cling persistently to the iron industry of the present day, and no proper understanding of the situation can fail to take them into account. In spite of this most meagre background from which to make a beginning it should be said that from ancient, even mythological times, there has been metal and iron working of a sort in Japan. But this was limited to sword making and to works of art under the patronage of the feudal lords. Encased in the mysterious secrecy of the guilds the knowledge and practice of metal working was never widespread.

During the latter half of the past century with the gradual introduction into Japan of ideas from abroad came the first positive attempts to establish the iron industry along modern lines. Between 1874 and 1883 the then Department of Public Works of the Government acquired and operated the old Kamashiri iron mine, but gave up the enterprise after having lost 2,000,000 yen, or \$1,000,000. Subsequently in private hands this mine has become the most important private one in Japan.

War Stimulates Industry.

The need of iron and steel in connection with the China-Japanese war in 1894-95 led finally to another Government iron and steel works, which began actual operations in 1901. Up to this time private enterprise, also stimulated by the war with China, had been making some progress, but the end of the century found the total output of steel on the decline and standing below 1,000 metric tons a year, while imports tallied over a quarter of a million tons annually. Pig iron production stood at something over 20,000 metric tons a year.

The opening of the twentieth century found the industry still a negligible factor, but it stood at the door of an expansion which cannot be called other than remarkable in view of the obstacles which had to be overcome. Although the original plan of the Government works had called for an annual steel output of 50,000 tons the country did not once equal this amount until 1907. Nevertheless the effect of the Government's operations, which effectively began in May, 1901, and the stimulus of the Russo-Japanese war, were noted in the rapid and steady increase for the next five years.

From 1901 to the end of 1905 the total yearly output increased forty fold, and thereafter about tripled every five years. In 1900 less than 1 per cent. of the demand of the country for steel was satisfied by domestic production; in 1902 about 10 per cent. was produced at home; by 1911 this had risen to 30 per cent., and in 1913 to 22 per cent. At the beginning of the war home production just equaled the imports. Within the space of fifteen years the country had risen from a position of practically complete dependence on foreign supplies to the production of just one-half of its needs.

Government Takes Lead.

The Government's energetic leadership in the industry was prompted by a keen appreciation of the importance of iron and steel, not only in time of war but for the general industrial development of the country. Until the war boom this second enterprise, like the earlier one, had never been able to make both ends meet.

Not being primarily a business venture, it had to dispose of its products to the other Government departments at less than market prices. To it fell also the task of leading the way in all sorts of difficult and untried lines, with profits as a secondary consideration. It also undertook to give assistance to private concerns by lending experts and training mechanics for them.

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SHANGHAI The Gateway to China's Markets



CHINA'S foreign trade during 1918 increased by \$208,946,491, more than 39 per cent. of which was gained by the port of Shanghai.

Dairen, Tientsin, Canton, Kowloon and Mengtze each showed proportionate gains. This is significant of the growing opportunities and increasing demand for American made goods.

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56 Wall Street, New York

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Hides and Skins From British India

THE UNITED STATES imported from British India in ten months ending with October, 1919, 76,726,438 pounds of tanned and raw hides and skins, worth \$35,124,738. They constituted nearly one-third of all shipments from India to America, the total being \$110,839,494. America's exports to India, \$58,638,431, were 93 per cent greater than in the corresponding period of 1918.

The Chartered Bank of India, Australia and China, through its New York agency, brings American business men into close touch with India. Branches in Bombay, Calcutta, Madras and Karachi. Branches and agencies in 30 other commercial centers in India, China, Japan, Siam, Straits Settlements, Sumatra, Java and the Philippines, provide quick communication and direct service.

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HAWAII TO ASK CHANGE IN LAWS

Legislative Committee Coming to Washington.

Special to the Far Eastern Section. Honolulu, Jan. 6.—Gov. Charles J. McCarthy, heading a legislative committee, is en route to Washington, D. C., where resolutions pertaining to proposed changes in the Territorial laws, adopted by the Hawaiian Territorial Legislature last spring, will be brought before Congress.

One of the principal requests to be made of Congress by Gov. McCarthy and the committee will be a change in the organic act creating the Territory so as to permit Hawaii to increase its Government debt to an amount equal to 10 per cent. of the assessed valuation. The organic act limits the Territorial debt to 7 per cent. of the assessed valuation.

The present Territorial debt totals \$10,584,000, and more money is urgently needed, according to the commission, for public improvements necessary to keep pace with the growth of the community.

SUFFRAGE LOOMS IN JAPANESE DIET

Party Leaders Approach Question Cautiously.

Kobe, Japan, Jan. 5.—That the question of universal suffrage will be a subject of heated debate at the Diet seems to admit of no doubt. The attitude of the Kenseikai toward the question, however, still remains to be determined, nor is the attitude of Kokuminto definitely decided upon. Some of the Kenseikai members, who are earnest advocates of the immediate adoption of the system, have been holding meetings to consider the means by which their party might be influenced by its favor.

At a meeting of the leaders of the Kenseikai the advocates of the adoption of the system suggested that in view of the approach of the convocation of the next session of the Diet the party should determine its attitude toward the question as quickly as possible. In reply one of the leaders assured the members that the question of universal suffrage was of great importance, and as such the leaders of the party had not as yet made up their minds on the point. But he expressed the hope that some decision favorable to advocates of the system might finally be reached.

TIN MINING A PROBLEM.

Only Rich Deposits Pay With Native Labor.

Native labor and methods will pay in the tin mines of the Malay Peninsula only when used in developing comparatively rich deposits. For this reason when the price of tin dropped early in the year 1919, and the prices of foodstuffs, fuel and mining materials increased, a considerable number of owners of comparatively poor native mines declared that they could not continue to work them without Government aid, investigation showed that in many cases operation did not result in any actual loss, but merely in reduced profits.

The recovery of the tin market acted as a relief to such miners, but many mines had been shut down, and as the rise in the price of tin continued more new enterprises were started than old ones abandoned. It is the opinion of well informed circles in the Malay Peninsula that the supply of Chinese labor is not likely to influence the tin production, for, although such labor at present produces 71 per cent. of the tin output of tin working by native methods, it must not be overlooked that the Chinese coolie is not a native of Malaya, but comes as a bird of passage, and having accumulated some savings invariably returns to his native country.

The mines which are dependent upon Chinese labor, therefore, are continually shifting their labor force, the supply of which automatically adjusts itself to the demand.

Buddhist Salvation Army Formed.

The organization in Tokio of a Buddhist Salvation Army is perhaps the best tribute that could be paid to the work of that institution in Japan, the success and usefulness of which, in a social if not in a religious way, is unquestioned, says the Tokio Far East. "Salvation Army workers have made a real place for themselves in the life of Tokio; they work among the poor, and human gratitude in the purlieus of Honjo and Fushimi and Asakusa, Tokio's submerged East End, must be deep, if human nature is not ingratitude."

12 MISSIONARIES SPEND HONEYMOON ON PACIFIC

Trip Across Rather Stormy and People of All Nations Are Shaken Up Like a Huge Racial Cocktail—Floating Tower of Babel.

Written for the Far East Section of THE SUN by a Traveler.

ABOARD A LINER EN ROUTE TO JAPAN, I presume to say that the Pacific is a very big place. The China Mail Steamship Company juggled with the truth just a little when they described the Nanking as a luxurious steamer of 12,000 tons. Offhand I should say that they have added about 5,000 tons for good measure.

The Nanking used to be the Congress and ran from San Francisco to Seattle. She was bought by the China Mail and made over to the Pacific Coast Steamship Company for conversion into a trans-Pacific liner. Well, they took a two and a half million dollar whack at her and produced a volkswagen of extreme buoyancy. In calm weather—of which we have had very little—she shakes the shimmy, fox trots and jumbles the one step up with a bit of the old Texas Tommy. In stormy weather—of which we have had much, very much—she pulls all these steps and works in a few of her own fortissimo of exaggeration. However, she floats and makes some of these of the very kind of ship that there is good in everybody and everything.

And then the missionaries! Oh! We have a whole swarm of them. Twelve of them are newlyweds going to the Orient on their honeymoon to serve a seven year sentence. It seems pretty tough, and it looks tough to some of them. The other day one of them was crying his heart out, with their heads buried in their arms on the rail. They were quickly cheered up, however, and are looking forward now to seven years of usefulness in the Orient.

We had berths A and B in cabin 115 when we started. My world! Cabin 115 is exactly twice the size of a telephone booth, and it's away down in the depths under the propeller shaft, or perhaps just right beside it. In any event, the floor is beneath the waterline and just above a lake of blue water. I am certain of these last two items. Now, in this cabin, in addition to berths A and B as hereinbefore mentioned, are berths C and D.

12 MISSIONARIES SPEND HONEYMOON ON PACIFIC

Trip Across Rather Stormy and People of All Nations Are Shaken Up Like a Huge Racial Cocktail—Floating Tower of Babel.

In berth D is a little Filipino priest just returning from twelve years of study in Rome. I presume he is a very good priest. I know he is a thoroughly poor sailor. He is a delightful chap to know when not afflicted with mare morbus. The other day I asked him where he learned to speak English, and he said he learned it from a Russian. He was unfortunate in that he lived with a French family where he heard nothing but French spoken.

In berth C is an Englishman from Paris. He speaks English as though he were choking to death and French like a native. He is a very delightful chap. But with four of us in so small a space, the ports always closed, and with our only air supply coming through the ventilators two decks above, we see rather too much of each other. It was always necessary to dress one at a time and to put on shirts, coats and vests. This was indeed much too much, so we finally convinced the captain that THE SUN shines for all only when it is brought out into the open. He asked a Russian to take the bridge into the pilot's room. Ah, how have the mighty risen! Why, say, we have soft bunks, two big windows and a tile bath. It is marvellous! By tomorrow I expect to be telling the people the Nanking is a fine ship.

This is the most conglomerate passenger list I have ever seen. The demand for transportation is so great that the second class accommodations have all been made "first class" and the second class dining room has been made the "auxiliary." Naturally, this has brought all sorts of people into the first class, and we have Chinese, Japanese, Russians, French, Englishmen, Australians, Serbians and Americans all jumbled in together. Neither half can talk to the other half except in bunches. Now, this morning I asked a Russian to take the bridge into the pilot's room. Ah, how have the mighty risen! Why, say, we have soft bunks, two big windows and a tile bath. It is marvellous! By tomorrow I expect to be telling the people the Nanking is a fine ship.

Polish Exchange Checks Imports.

WASHINGTON, Jan. 6.—According to an telegram from Consul Harry A. McBride, at Warsaw, dated December 15, 1919, the chief barrier to American imports into Poland is the exchange problem. The rate, he says, has reached 100 Polish marks to the dollar. (The par value of the Polish mark is 19.3 cents.)